A bill to be entitled

An act relating to insurance regulations; creating s. 624.341, F.S.; providing legislative findings; requiring the Department of Law Enforcement to accept and process fingerprints of specified persons who are involved in the organization, operation, or management of certain insurers or certain proposed insurers or who are subject to specified provisions of the Florida Insurance Code; requiring full sets of fingerprints of such persons to be submitted to the Office of Insurance Regulation or certain vendors, entities, or agencies; providing procedures for criminal background checks; providing fees; authorizing the department to exchange criminal background checks for specified purposes; providing guidelines for submitting fingerprints; requiring the office to use and review the criminal background checks for specified determinations; amending s. 626.9651, F.S.; requiring the Office of Insurance Regulation and the Financial Services Commission to adopt rules on cybersecurity of certain insurance data; providing requirements for such rules; providing duties of the office; creating s. 624.347, F.S.; providing definitions; providing applicability; establishing standards for compensation arrangements and oversight of affiliate transactions

involving insurers, managing general agents, and attorneys in fact; providing penalties; requiring the office to adopt rules; amending s. 624.424, F.S.; specifying requirements for affiliate compensation arrangements; removing requirements that the office consider a specified factor in determining whether certain affiliate considerations and payments by an insurer are fair and reasonable; amending s. 627.062, F.S.; prohibiting personal residential property insurers from submitting more than three "use and file" filing under certain circumstances; providing an exception; amending s. 627.0621, F.S.; requiring certain rate filings with the office from residential property insurers to include rate transparency reports; providing for acceptance or rejection by the office of such reports; providing requirements for such reports; requiring insurers to provide such reports to consumers; requiring the office to define terms used in such reports; requiring the office to establish and maintain a specified center on its website; providing requirements for the website; amending s. 627.0645, F.S.; revising requirements of rate filing with the office; amending s. 627.0651, F.S.; prohibiting motor vehicle insurers from submitting more than one "use and file" filing under

certain circumstances; amending s. 627.351, F.S.; dispute resolution procedures under Citizens Property Insurance Corporation; amending s. 627.711, F.S.; requiring the office to contract with a state university to design, operate, upgrade, and maintain a specified database; requiring property insurers to file certain policyholder forms in the database; requiring the commission to adopt rules; amending s. 628.371, F.S.; defining the term "affiliated entity"; applying provisions on prohibitions against, limitations on, and authority of insurers relating to dividend payments and distributions to stockholders to affiliated entities; providing requirements for certain approvals of dividends, distributions, and other financial arrangements; creating s. 628.372, F.S.; providing authority of the office over affiliate dividends; providing penalties; requiring the office to adopt rules; amending s. 629.011, F.S.; revising and providing definitions; amending s. 629.071, F.S.; authorizing assessable and nonassessable reciprocal insurers, rather than domestic reciprocal insurers, to transact insurance if they maintain specified amounts of surplus funds; amending s. 629.081, F.S.; conforming a provision to changes made by the act; creating s. 629.082, F.S.; providing that attorneys in

fact of reciprocals are affiliates of the reciprocals for specified purposes; creating s. 629.1015, F.S.; requiring documentation supporting that fees, commissions, and other financial considerations and payments to affiliates by reciprocal insurers are fair and reasonable; providing guidelines for the office in determining whether the fees, commissions, and other financial considerations and payments are fair and reasonable; providing requirements for documentation of such fees; amending s. 629.121, F.S.; providing that certain bonds filed with the office as security are filed by attorneys in fact, rather than attorneys of domestic reciprocal insurers; increasing the bond amount; creating s. 629.162, F.S.; authorizing reciprocal insurers to require subscriber contributions; providing disclosure and reporting requirements for subscriber contributions; creating s. 629.163, F.S.; authorizing reciprocal insurers to establish subscriber savings accounts; providing construction; providing requirements for subscriber savings accounts; creating s. 629.164, F.S.; authorizing reciprocal insurers to make distributions to subscribers from subscriber savings accounts; granting to subscribers' advisory committees sole authority to authorize distributions, subject to prior

written approval by the office; providing requirements for reciprocal insurers that prohibit subscribers from receiving distributions for a specified period of time; providing construction; authorizing reciprocal insurers to return to subscribers unused premiums, savings, and credits accruing to their accounts; authorizing domestic reciprocal insurers to pay portions of unassigned funds; providing distribution limits; prohibiting distribution discriminations; amending s. 629.171, F.S.; revising requirements for filing with the office annual statements by reciprocal insurers; amending s. 629.181, F.S; replacing surplus deposits of subscribers with subscriber contributions; providing limits on subscriber contributions; amending s. 629.201, F.S.; requiring that each domestic reciprocal insurer have a subscribers' advisory committee; requiring that such committee be formed in compliance with specified laws; requiring that rules and amendments adopted by subscribers have prior approval by the office; revising subscribers' advisory committees' duties and membership; providing for election and terms; repealing s. 629.271, F.S., relating to distribution of savings; amending s. 629.291, F.S.; providing that forms filed with the office for plans to merge a reciprocal insurer with

another reciprocal insurer or to convert a reciprocal insurer to a stock or mutual insurer are adopted by the commission rather than the office; amending s. 629.301, F.S.; specifying the manner in which impaired reciprocal insurers are proceeded against if they cannot make up deficiencies in assets; specifying the manner in which assessments are levied upon subscribers if reciprocal insurers are liquidated; providing that assessments are subject to specified limits; repealing ss. 629.401 and 629.520, F.S., relating to insurance exchange and the authority of a limited reciprocal insurer, respectively; creating s. 629.56, F.S.; requiring reciprocal insurers to maintain unearned premium reserves at all times; providing applicability dates; providing effective dates.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 624.341, Florida Statutes, is created to read:

624.341 Authority of Department of Law Enforcement to accept fingerprints of, and exchange criminal history records with respect to, certain persons applying to the Office of Insurance Regulation.—

(1) The Legislature finds that criminal activity of insurers poses a particular danger to the residents of this state. Floridians rely, in good faith, on the honest conduct of those who issue and manage insurance policies and other insurance instruments in this state. To safeguard this state's residents, the Legislature finds it necessary to ensure that organizers, incorporators, subscribers, officers, employees, contractors, affiliates, stockholders, directors, owners, members, managers, or volunteers, or any other persons who exercise or have the ability to exercise effective control of, or who influence or have the ability to influence the transaction of the business of, or any other persons involved, directly or indirectly, in the organization, operation, or management of any insurer that is authorized to sell insurance do not have a criminal background.

(2) The Department of Law Enforcement shall accept and process fingerprints of organizers, incorporators, subscribers, officers, employees, contractors, affiliates, stockholders, directors, owners, members, managers, or volunteers involved, directly or indirectly, in the organization, operation, or management of:

(a) Any insurer or proposed insurer transacting or proposing to transact insurance in this state.

(b) Any other entity that is examined or investigated or that is eligible to be examined or investigated under the

provisions of the Florida Insurance Code.

(c) Any other person or entity subject to licensure under the Florida Insurance Code.

(3) A full set of fingerprints of persons described in subsection (2) must be submitted to the office or to a vendor, an entity, or an agency authorized by s. 943.053(13). The office, vendor, entity, or agency shall forward the fingerprints to the Department of Law Enforcement for state processing, and the Department of Law Enforcement shall forward the fingerprints to the Federal Bureau of Investigation for national processing as described in s. 624.34. Fees for state and federal fingerprint processing must be borne by the person submitting the fingerprints. The state cost for fingerprint processing is as provided in s. 943.053(3)(e).

(4) The Department of Law Enforcement may, to the extent provided by federal law, exchange state, multistate, and federal criminal history records with the office for the purpose of issuance, denial, suspension, or revocation of a certificate of authority, certification, or license to operate in this state.

(5) Fingerprints for each person described in subsection (2) must be submitted in accordance with rules adopted by the commission.

(a) Fingerprints may be submitted through a third-party vendor authorized by the Department of Law Enforcement.

(b) The Department of Law Enforcement shall conduct the

state criminal history background check, and a federal criminal history background check shall be conducted through the Federal Bureau of Investigation.

(c) All fingerprints submitted to the Department of Law Enforcement must be submitted and entered into the statewide automated fingerprint identification system established in s. 943.05(2)(b) and available for use in accordance with s. 943.05(2)(g) and (h). The office shall inform the Department of Law Enforcement of any person whose fingerprints no longer must be retained.

(d) The costs of fingerprint processing, including the cost of retaining the fingerprints, must be borne by the person subject to the background checks.

(e) The office shall review the results of the state and federal criminal history background checks and determine whether the applicant meets the requirements for the certificate of authority, certification, or license to operate in this state.

(6) Statewide criminal records obtained through the Department of Law Enforcement, federal criminal records obtained through the Federal Bureau of Investigation, and local criminal records obtained through local law enforcement agencies must be used by the office for the purpose of issuance, denial, suspension, or revocation of certificates of authority, certifications, or licenses issued to operate in this state.

Section 2. Section 624.347, Florida Statutes, is created

to read:

624.347 Affiliate transactions; managing general agents; attorneys in fact; oversight.—

(1) DEFINITIONS.—As used in this section, the term:

(a) "Affiliated entity" means any affiliate. The term includes a managing general agent, attorney in fact, and reciprocal insurer when acting in a capacity that involves compensation or contractual arrangements with the insurer.

(b) "Attorney in fact" has the same meaning as in s. 629.011.

(c) "Managing general agent" has the same meaning as in s. 626.015.

(d) "Reciprocal insurer" has the same meaning as in s. 629.011.

(2) APPLICABILITY.—This section applies to any insurer that contracts with or makes payments to an affiliated entity.

(3) COMPENSATION ARRANGEMENTS WITH AFFILIATED ENTITIES.—

(a) Each insurer doing business in this state which pays, directly or indirectly, a fee, commission, or other financial consideration or payment to any affiliated entity must provide to the office documentation demonstrating that such fee, commission, or other financial consideration or payment is fair and reasonable for each service being provided. In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office must consider all of

the following:

1. The actual cost of each service provided by the affiliated entity.

2. The relative financial condition of the insurer and the affiliated entity.

3. The level of debt and how that debt is serviced.

4. The amount and purpose of any dividends or other payments exchanged between the insurer and any affiliated entity, including payments made to or received from the affiliated entity, and any payments between affiliated entities.

5. Whether the terms of the written contract benefit the insurer and are in the best interest of the insurer.

6. Any other information as the office reasonably requires in making the determination.

(b) For each agreement with an affiliated entity in force on July 1, 2025, each insurer shall provide to the office no later than October 1, 2025, the cost incurred by the affiliated entity to provide each service, the dollar amount charged to the insurer for each service, and the dollar amount of fees forgiven, waived, or reimbursed by the affiliated entity for the 2 most recent preceding years. If the total dollar amount charged to the insurer was greater than the total cost to provide services for either year, the insurer must explain how it determined the fee was fair and reasonable. For any proposed contract with an affiliated entity effective after July 1, 2025,

the insurer must provide documentation to support that the fee, commission, or other financial consideration or payment to the affiliated entity is fair and reasonable.

(c)1. All compensation arrangements between an insurer and any affiliated entity entered into on or after July 1, 2026, must be structured as fee for service. As used in this subparagraph, the term "fee for service" means fixed amounts or hourly rates for itemized services.

2. Compensation may not be based on:

a. Commission;

b. Premium volume;

c. Underwriting profit; or

d. Financial results of the insurer.

(d) This subsection does not prohibit an insurer from paying a dividend or other financial arrangement to an affiliated entity if such dividend or financial arrangement is separately reviewed and approved by the office pursuant to this section, s. 628.372, or any other applicable law.

(e) An agreement between an insurer and an affiliated entity must include a termination clause and may not exceed a term of 3 years. Any extension of such an agreement must be approved by the office before becoming effective. An agreement between an insurer and an affiliated entity may include provisions for extension, but may not remain in effect for longer than 3 years without a review pursuant to paragraph (a)

and approval by the office. If the agreement provides for extension, the agreement must clearly state that the extension is subject to approval by the office at least every 3 years.

(4) EMERGENCY RESTRICTIONS.—

(a) During a declared emergency, the office may issue orders restricting fund transfers from an insurer to an affiliated entity without prior approval.

(b) Orders under paragraph (a) may apply to all or specified insurers and may not exceed 90 days unless extended by the office.

(5) ADDITIONAL OVERSIGHT.—

(a) Any dividend paid by an insurer to an affiliated entity must be reviewed and approved by the office, regardless of whether the affiliated entity is the insurer's parent, subsidiary, or otherwise related entity.

(b) The office may recover improper affiliated entity payment transfers, including, but not limited to, both of the following:

1. Transfers that violate the approved compensation, approved dividend, or any other approved financial arrangement.

2. Transfers made while the insurer was undercapitalized.

(c) An insurer must provide notice to the office at least 30 days before any pledge of capital or assets to any affiliated entity for a loan or financial obligation. Such notice must include a description of the collateral, the nature of the

obligation, and the parties involved. The office may reject and prohibit the pledge if such financial arrangement is not in the best interest of the insurer.

(6) ENFORCEMENT.—

(a) The office may impose penalties for violations of this section.

(b) The office shall adopt rules to implement this section.

Section 3. Subsection (13) of section 624.424, Florida Statutes, is amended to read:

624.424 Annual statement and other information.—

(13) Each insurer doing business in this state which pays a fee, commission, or other financial consideration or payment to any affiliate directly or indirectly is required upon request to provide to the office any information the office deems necessary. The fee, commission, or other financial consideration or payment to any affiliate must be fair and reasonable. Affiliate compensation arrangements must comply with s. 624.347 and with the requirements of this subsection ~~In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office shall consider, among other things, the actual cost of the service being provided~~.

Section 4. Section 626.9651, Florida Statutes, is amended to read:

626.9651 Security of consumer data ~~Privacy~~.—

(1) The department and commission shall ~~must~~ each adopt rules consistent with other provisions of the Florida Insurance Code to govern the use of a consumer's nonpublic personal financial and health information. These rules must be based on, consistent with, and not more restrictive than the Privacy of Consumer Financial and Health Information Regulation, adopted September 26, 2000, by the National Association of Insurance Commissioners; however, the rules must permit the use and disclosure of nonpublic personal health information for scientific, medical, or public policy research, in accordance with federal law. In addition, these rules must be consistent with, and not more restrictive than, the standards contained in Title V of the Gramm-Leach-Bliley Act of 1999, Pub. L. No. 106-102, as amended in Title LXXV of the Fixing America's Surface Transportation (FAST) Act, Pub. L. No. 114-94. If the office determines that a health insurer or health maintenance organization is in compliance with, or is actively undertaking compliance with, the consumer privacy protection rules adopted by the United States Department of Health and Human Services, in conformance with the Health Insurance Portability and Affordability Act, that health insurer or health maintenance organization is in compliance with this subsection ~~section~~.

(2) The office and the commission shall adopt rules consistent with state law, including the Florida Insurance Code, to ensure the cybersecurity of a consumer's nonpublic insurance

data. These rules may not be more restrictive than the National Association of Insurance Commissioners Insurance Data Security Model Law, adopted as of October 2017, and subsequent amendments thereto if the methodology remains substantially consistent. The rules must:

(a) Apply to all entities acting as insurers, transacting insurance, or otherwise engaging in insurance activities in this state, including entities licensed under chapter 641, and any entity that has been contracted to maintain, store, or process personal information on behalf of a covered entity;

(b) Require the development and implementation of an information security program as defined in the model law;

(c) Require investigation and notification of a cybersecurity event as required under the model law;

(d) Require that each insurer submit to the department or office all or part of the information required to be reported to the department or office in a computer-readable form compatible with the electronic data processing system of the department or office; and

(e) Require that the office be copied on any notice provided to the Attorney General under s. 501.171.

(3) Upon receiving information under this section, the office shall review the information and may initiate an examination or investigation under s. 624.316, s. 624.3161, or s. 626.8828.

(4) This section does not establish a private cause of action.

Section 5. Paragraph (a) of subsection (2) of section 627.062, Florida Statutes, is amended to read:

627.062 Rate standards.—

(2) As to all such classes of insurance:

(a) Insurers or rating organizations shall establish and use rates, rating schedules, or rating manuals that allow the insurer a reasonable rate of return on the classes of insurance written in this state. A copy of rates, rating schedules, rating manuals, premium credits or discount schedules, and surcharge schedules, and changes thereto, must be filed with the office under one of the following procedures:

1. If the filing is made at least 90 days before the proposed effective date and is not implemented during the office's review of the filing and any proceeding and judicial review, such filing is considered a "file and use" filing. In such case, the office shall finalize its review by issuance of a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing. If the 90-day period ends on a weekend or a holiday under s. 110.117(1)(a)-(i), it must be extended until the conclusion of the next business day. The notice of intent to approve and the notice of intent to disapprove constitute agency action for purposes of the Administrative Procedure Act. Requests for supporting

information, requests for mathematical or mechanical corrections, or notification to the insurer by the office of its preliminary findings does not toll the 90-day period during any such proceedings and subsequent judicial review. The rate shall be deemed approved if the office does not issue a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing.

2. If the filing is not made in accordance with subparagraph 1., such filing must be made as soon as practicable, but within 30 days after the effective date, and is considered a "use and file" filing. An insurer making a "use and file" filing is potentially subject to an order by the office to return to policyholders those portions of rates found to be excessive, as provided in paragraph (h). For purposes of this subparagraph, a personal residential property insurer may not submit more than three use and file filings affecting policyholders within a single policy period, unless the filings are exclusively related to reinsurance.

3. For all property insurance filings made or submitted after January 25, 2007, but before May 1, 2012, an insurer seeking a rate that is greater than the rate most recently approved by the office shall make a "file and use" filing. For purposes of this subparagraph, motor vehicle collision and comprehensive coverages are not considered property coverages.

The provisions of this subsection do not apply to workers' compensation, employer's liability insurance, and motor vehicle insurance.

Section 6. Subsection (2) of section 627.0621, Florida Statutes, is renumbered as subsection (3), present subsection (2) is amended, and a new subsection (2) is added to that section, to read:

627.0621 Transparency in rate regulation.—

(2) RATE TRANSPARENCY REPORT.—

(a) Beginning January 1, 2026, every rate filing requesting a rate change for residential property coverage from a property insurer must include a rate transparency report for acceptance for use or modification by the office. The office may accept the rate transparency report for filing, or if the office finds that the report fails to provide the required information in concise and plain language which aids consumers in their understanding of insurance, or finds the report to be misleading, the office shall return the rate transparency report to the property insurer for modification. The office's acceptance for use or modification of the report may not be deemed approval pursuant to s. 627.062. The report shall be compiled in a uniform format prescribed by the commission and must include a graphical representation identifying a percentage breakdown of rating factors anticipated of the company, book, or program affected by the filing.

(b) Along with an offer of coverage and upon renewal, an insurer must provide the corresponding copy of the rate transparency report for the consumer's offered rate to aid consumers in their understanding of insurance. If the report has not been accepted for use or modified by the office, the report must indicate that it is preliminary and subject to modification by the office.

(c) The rate transparency report must include the following categories of the book or program at the cumulative level:

1. The percentage of the total rate factor associated with the cost of reinsurance.

2. The percentage of the total rate factor associated with the cost of claims.

3. The percentage of the total rate factor associated with the defense containment and costs.

4. The percentage of the total rate factor associated with fees and commissions.

5. The percentage of the rate factor associated with profit and contingency of the insurer.

6. Any other categories deemed necessary by the office or commission.

An estimated percentage of the influence of each listed factor must be provided to equal 100 percent.

(d) The insurer shall provide the rate transparency report to the office upon the filing of a rate change with the office.

(e) The rate transparency report must also include the following information:

1. Any major adverse findings by the office for the previous 3 calendar years.

2. Whether the insurer uses affiliated entities to perform functions of the insurer.

3. Contact information, to include a telephone number, hours of service, and e-mail address for the Division of Consumer Services of the department.

4. Contact information for the office.

5. Address for the website for public access to rate filing and affiliate information outlined in subsection (3).

6. Any changes in the total insured value from the last policy period.

(f) The office shall define, in concise and plain language, any terms used with the rate transparency report to aid consumers in their understanding of insurance.

(3) ~~(2)~~ WEBSITE FOR PUBLIC ACCESS TO RATE FILING INFORMATION.—

(a) The office shall establish and maintain a comprehensive resource center on its website that uses concise and plain language to aid consumers in their understanding of insurance. The website must include substantive information on

the current and historical dynamics of the market, data concerning the financial condition and market conduct of insurance companies available to consumers, and choices available to consumers. At a minimum, the website must contain the following:

1. Reports, using graphical information wherever possible, which outline information about the state of the market and adverse and positive trends affecting it.

2. Tools that aid consumers in finding insurers.

3. Tools that aid consumers in selecting the coverages beneficial to them.

4. Information about mitigation credits and the My Safe Florida Home Program, as well as other credits insurers may offer beyond wind mitigation.

5. Access to the rate transparency report, annual statements, market conduct information, and other information related to each insurer.

6. Information on the Citizens Property Insurance Corporation takeout process, the clearinghouse, and general information as reported by the office.

7.~~(a)~~ With respect to any residential property rate filing~~, the office shall provide the following information on a publicly accessible Internet website~~:

a.~~1.~~ The overall rate change requested by the insurer.

b.~~2.~~ The rate change approved by the office along with all

of the actuary's assumptions and recommendations forming the basis of the office's decision.

c.~~3.~~ Certification by the office's actuary that, based on the actuary's knowledge, his or her recommendations are consistent with accepted actuarial principles.

d. Whether the insurer uses affiliated entities to perform administrative, claims handling, or other functions of the insurer and, if so, the total percentage of direct written premium paid to the affiliated entities by the insurer in the preceding annual calendar year.

(b) For any rate filing, regardless of whether ~~or not~~ the filing is subject to a public hearing, the office shall provide on its website a means for any policyholder who may be affected by a proposed rate change to send an e-mail regarding the proposed rate change. Such e-mail must be accessible to the actuary assigned to review the rate filing.

(c) The statewide average requested rate change and final approved statewide average rate change within a filing is not a trade secret as defined in s. 688.002 or s. 812.081(1) and is not subject to the public records exemption for trade secrets provided in s. 119.0715 or s. 624.4213.

(d) County rating examples submitted to the office through the rate collection system for the purposes of displaying rates on the office website are not a trade secret as defined in s. 688.002 or s. 812.081(1) and are not subject to the public

records exemption for trade secrets provided in s. 119.0715 or s. 624.4213.

Section 7. Paragraph (b) of subsection (3) of section 627.0645, Florida Statutes, is amended to read:

627.0645 Annual filings.—

(3) The filing requirements of this section shall be satisfied by one of the following methods:

(b) If no rate change is proposed, a filing which consists of a certification by an actuary that the existing rate level produces rates which are actuarially sound and which are not inadequate, as defined in s. 627.062. However, for residential property and private passenger motor vehicle insurers, a full rate filing is required after 2 consecutive years of certification under this paragraph.

Section 8. Paragraph (b) of subsection (1) of section 627.0651, Florida Statutes, is amended to read:

627.0651 Making and use of rates for motor vehicle insurance.—

(1) Insurers shall establish and use rates, rating schedules, or rating manuals to allow the insurer a reasonable rate of return on motor vehicle insurance written in this state. A copy of rates, rating schedules, and rating manuals, and changes therein, shall be filed with the office under one of the following procedures:

(b) If the filing is not made in accordance with the

provisions of paragraph (a), such filing shall be made as soon as practicable, but no later than 30 days after the effective date, and shall be considered a "use and file" filing. An insurer making a "use and file" filing is potentially subject to an order by the office to return to policyholders portions of rates found to be excessive, as provided in subsection (11). For purposes of this paragraph, an insurer may not submit more than one "use and file" filing impacting policyholders within a single policy period.

Section 9. Paragraph (ll) of subsection (6) of section 627.351, Florida Statutes, is amended to read:

627.351 Insurance risk apportionment plans.—

(6) CITIZENS PROPERTY INSURANCE CORPORATION.—

(ll)1. In addition to any other method of alternative dispute resolution authorized by state law, the corporation may adopt policy forms that provide an option for the insured to select, at the time of entering into the policy or upon renewal, to have disputes regarding the corporation's claim determinations ~~for the resolution of disputes regarding its claim determinations~~, including disputes regarding coverage for, or the scope and value of, a claim, resolved through arbitration ~~in a proceeding~~ before the Division of Administrative Hearings. Each insured must be notified in writing, at the time of entering into a policy with the corporation and upon each renewal, that the insured must decide whether to resolve

disputes through arbitration before the Division of Administrative Hearings. Such notification must be in at least 12-point boldfaced type, immediately preceding the insured's signature in substantially the following form:

AN INSURED MUST CHOOSE AT THE TIME OF ENTERING INTO THIS POLICY OR UPON RENEWAL WHETHER TO RESOLVE DISPUTES THROUGH ARBITRATION BEFORE THE DIVISION OF ADMINISTRATIVE HEARINGS. THE INSURED MUST INDICATE THIS SELECTION BY MARKING 'ACCEPT' OR 'DECLINE' BELOW. THIS DECISION CANNOT BE CHANGED DURING THE TERM OF THE POLICY.

Any such policies are not subject to s. 627.70154. All arbitrations before ~~proceedings in~~ the Division of Administrative Hearings pursuant to such policies are subject to ss. 57.105 and 768.79 as if filed in the courts of this state and are not considered chapter 120 administrative proceedings. Rule 1.442, Florida Rules of Civil Procedure, applies to any offer served pursuant to s. 768.79, except that, notwithstanding any provision in Rule 1.442, Florida Rules of Civil Procedure, to the contrary, an offer shall not be served earlier than 10 days after filing the request for hearing with the Division of Administrative Hearings and shall not be served later than 10 days before the date set for the final hearing. The administrative law judge in such arbitrations ~~proceedings~~ shall award attorney fees and other relief pursuant to ss. 57.105 and

768.79. The corporation may not seek, and the office may not approve, a maximum hourly rate for attorney fees.

~~2. The corporation may contract with the division to conduct proceedings to resolve disputes regarding its claim determinations as may be provided for in the applicable policies of insurance. This subparagraph expires July 1, 2025.~~

Section 10. Paragraphs (c), (d), and (e) are added to subsection (2) of section 627.711, Florida Statutes, to read:

627.711 Notice of premium discounts for hurricane loss mitigation; uniform mitigation verification inspection form.—

(2)

(c) The office shall contract with a state university to design, operate, upgrade, and maintain a statewide database for uniform mitigation verification inspection forms. This database must be managed by the office to collect and evaluate mitigation features of residential properties within the state.

(d) Beginning January 1, 2026, each insurer shall electronically file a copy of uniform mitigation inspection forms submitted by policyholders in the database created pursuant to paragraph (c) within 15 business days after receipt using the electronic format prescribed by the office.

(e) The Financial Services Commission shall adopt rules to implement this subsection.

Section 11. Section 628.371, Florida Statutes, is amended to read:

628.371 Dividends to stockholders.—

(1) As used in this section, the term "affiliated entity" has the same meaning as in s. 624.347(1).

(2) ~~(1)~~ A domestic stock insurer or an affiliated entity shall not pay any dividend or distribute cash or other property to stockholders except out of that part of its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains.

(3) ~~(2)~~ Dividend payments or distributions to stockholders, without prior written approval of the office, shall not exceed the larger of:

(a) The lesser of 10 percent of surplus or net gain from operations (life and health companies) or net income (property and casualty companies), not including realized capital gains, plus a 2-year carryforward for property and casualty companies;

(b) Ten percent of surplus, with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains;

(c) The lesser of 10 percent of surplus or net investment income (net gain before capital gains for life and health companies) plus a 3-year carryforward (2-year carryforward for life and health companies) with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains.

(4) ~~(3)~~ In lieu of ~~the provisions in~~ subsection (3) ~~(2)~~, an

insurer or an affiliated entity may pay a dividend or make a distribution without the prior written approval of the office when:

(a) The dividend is equal to or less than the greater of:

1. Ten percent of the insurer's or the affiliated entity's surplus as to policyholders derived from realized net operating profits on its business and net realized capital gains; or

2. The insurer's or the affiliated entity's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year; ~~and~~

(b) The insurer or the affiliated entity will have surplus as to policyholders equal to or exceeding 115 percent of the minimum required statutory surplus as to policyholders after the dividend or distribution is made; ~~and~~

(c) The insurer or the affiliated entity has filed notice with the office at least 10 business days before ~~prior to~~ the dividend payment or distribution, or such shorter period of time as approved by the office on a case-by-case basis. Such notice shall not create a right in the office to approve or disapprove a dividend otherwise properly payable hereunder; and

(d) The notice includes a certification by an officer of the insurer or the affiliated entity attesting that after payment of the dividend or distribution the insurer or the affiliated entity will have at least 115 percent of required statutory surplus as to policyholders.

(5)~~(4)~~ The office shall not approve a dividend or distribution in excess of the maximum amount allowed in subsection (2) ~~(1)~~ unless, considering the following factors, it determines that the distribution or dividend would not jeopardize the financial condition of the insurer or the affiliated entity:

(a) The liquidity, quality, and diversification of the insurer's assets and the effect on its ability to meet its obligations.

(b) Reduction of investment portfolio and investment income.

(c) Effects on the written premium to surplus ratios as required by the Florida Insurance Code.

(d) Industrywide financial conditions.

(e) Prior dividend distributions of the insurer or the affiliated entity.

(f) Whether the dividend is only a "pass-through" dividend from a subsidiary of the insurer or the affiliated entity.

(6)~~(5)~~ A dividend or distribution by a not-for-profit insurance company subsidiary to its mutual insurance holding company, directly or indirectly through one or more intermediate holding companies, pursuant to part III of this chapter, which meets the requirements of this section and which applies to a stock insurer, is permitted under this section.

(7) Approval of a dividend, distribution, or other

financial arrangement under this section must comply with the requirements of s. 624.347.

Section 12. Section 628.372, Florida Statutes, is created to read:

628.372 Authority over affiliate dividends.—

(1) The office has oversight and regulatory authority over the issuance of dividends or other financial arrangements paid to an affiliate.

(2) There may be no declaration or distribution of such dividends or other financial arrangements without prior approval of the office.

(3) Dividends and other financial arrangements must comply with the requirements of s. 624.347.

(4) Any unauthorized dividend, distribution, or other financial arrangement may result in penalties determined by the office.

(5) The office must adopt rules to implement this section.

Section 13. Subsection (5) of section 629.011, Florida Statutes, is amended, and subsections (6), (7), and (8) are added to that section, to read:

629.011 Definitions.—As used in this part, the term:

(4) "Distribution" means any transfer of money from the reciprocal insurer to subscribers other than for the payment of a claim, settlement of a legal dispute, or return of principle.

(6)~~(5)~~ "Reciprocal insurer" means an unincorporated

aggregation of subscribers operating individually and collectively through an attorney in fact to provide reciprocal insurance among themselves.

(a) An assessable reciprocal insurer is a reciprocal insurer that is able to levy an assessment on its subscribers to make up any shortfall in capital and surplus to cover claims and expenses as specified in s. 629.231.

(b) A nonassessable reciprocal insurer is a reciprocal insurer authorized under s. 629.091(3) or s. 629.291(5) to issue policies where there is no recourse against subscribers for any shortfall in capital and surplus to cover claims and expenses.

(7) "Subscriber contribution" means any transfer of money by a subscriber of a reciprocal insurer to the reciprocal insurer in excess of the premium approved by the office, when such money is counted as surplus for the reciprocal insurer or used to pay surplus notes.

(8) "Subscriber savings account" means any account in which a reciprocal insurer assigns money for the benefit of an individual subscriber, other than accounts holding money for the payment of a specific claim by or settlement of a specific legal dispute with that individual subscriber.

(9) "Subscribers' advisory committee" means the committee of a domestic reciprocal insurer which is formed in compliance with s. 629.201 and represents the interests of the subscribers.

Section 14. Section 629.071, Florida Statutes, is amended

to read:

629.071 Surplus funds required.—

(1) An assessable ~~A domestic~~ reciprocal insurer ~~hereunder formed~~, if it has otherwise complied with the applicable provisions of this code, may be authorized to transact insurance if it has and thereafter maintains surplus funds of not less than $3 million ~~$250,000~~.

(2) A nonassessable reciprocal insurer, if it has otherwise complied with the applicable provisions of this code, may be authorized to transact insurance if it has and thereafter maintains a surplus as to policyholders which is equal to that required under s. 624.408 for a domestic stock insurer authorized to transact like kinds of insurance ~~In addition to the surplus required to be maintained under subsection (1), the insurer shall have, when first so authorized, an expendable surplus of not less than $750,000~~.

Section 15. Effective upon this act becoming a law, subsection (3) of section 629.081, Florida Statutes, is amended to read:

629.081 Organization of reciprocal insurer.—

(3) The filing must be accompanied by the application fee ~~required by s. 624.501(1)(a)~~.

Section 16. Section 629.082, Florida Statutes, is created to read:

629.082 Reciprocal affiliates.—The attorney in fact of a

reciprocal insurer is an affiliated entity of the reciprocal for purposes of s. 624.10.

Section 17. Section 629.1015, Florida Statutes, is created to read:

629.1015 Affiliate fees.—

(1) Each reciprocal insurer doing business in this state which pays a fee, commission, or other financial consideration or payment to any affiliate directly or indirectly must provide to the office documentation supporting that such fee, commission, or other financial consideration or payment to any affiliate is fair and reasonable for each service being provided by contract. In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office must consider the following:

(a) The actual cost of each service provided by an affiliate;

(b) The relative financial condition of the reciprocal insurer and of the attorney in fact;

(c) The level of debt and how that debt is serviced;

(d) The amount of dividends paid by the attorney in fact and its affiliates and for what purpose;

(e) Whether the terms of the written contract benefit the reciprocal insurer and are in the best interest of the subscribers; and

(f) Any other such information as the office reasonably

requires in making this determination.

(2) For each agreement with an affiliate in force on July 1, 2025, each domestic reciprocal insurer shall provide to the office no later than October 1, 2025, the cost incurred by the affiliate to provide each service, the amount charged to the domestic reciprocal insurer for each service, and the dollar amount of fees forgiven, waived, or reimbursed by the affiliate for the 2 most recent preceding years. If the total dollar amount charged to the domestic reciprocal insurer was greater than the total cost to provide services for either year, the domestic reciprocal insurer must explain how it determined the fee was fair and reasonable. For any proposed contract with an affiliate effective after July 1, 2025, the domestic reciprocal insurer must provide documentation to support that the fee, commission, or other financial consideration or payment to the affiliate is fair and reasonable.

Section 18. Section 629.121, Florida Statutes, is amended to read:

629.121 Attorney in fact ~~Attorney's~~ bond.—

(1) Concurrently with the filing of the declaration provided for in s. 629.081, the attorney in fact of a domestic reciprocal insurer shall file with the office a bond in favor of this state for the benefit of all persons damaged as a result of breach by the attorney in fact of the conditions of his or her bond as set forth in subsection (2). The bond shall be executed

by the attorney in fact and by an authorized corporate surety and shall be subject to the approval of the office.

(2) The bond shall be in the sum of $300,000 ~~$100,000~~, aggregate in form, the bond conditioned that the attorney in fact will faithfully account for all moneys and other property of the insurer coming into his or her hands, and that he or she will not withdraw or appropriate to his or her own use from the funds of the insurer any moneys or property to which he or she is not entitled under the power of attorney.

(3) The bond shall provide that it is not subject to cancellation unless 30 days' advance notice in writing of cancellation is given both the attorney in fact and the office.

Section 19. Section 629.162, Florida Statutes, is created to read:

629.162 Subscriber contributions.—

(1) Reciprocal insurers may, subject to prior approval by the office, require contributions from subscribers in addition to premiums approved by the office.

(2) A reciprocal insurer shall clearly disclose required subscriber contributions on the declarations page of any policy issued by the reciprocal insurer, separate from any cost associated with the premium.

(3) Reciprocal insurers must provide subscribers an annual report detailing how each dollar of subscriber contributions was allocated or spent.

Section 20. Section 629.163, Florida Statutes, is created to read:

629.163 Subscriber savings accounts.—

(1) Reciprocal insurers may establish subscriber savings accounts.

(2) Moneys assigned to subscriber savings accounts are not considered distributions under s. 629.164.

(3) Subscriber savings accounts are subject to the following requirements:

(a) Reciprocal insurers must inform each subscriber, in writing, of the limitations and restrictions imposed upon the use or possession of moneys assigned to subscriber savings accounts.

(b) Reciprocal insurers must inform each subscriber, in writing, of the procedures used to assign moneys to subscriber savings accounts and any calculations used to determine the amount of moneys to be assigned to subscriber savings accounts.

(c) Advertisements marketing the benefits of subscriber savings accounts must note the limitations and restrictions imposed upon the use or possession of moneys assigned to subscriber savings accounts.

(d) Upon cancellation or nonrenewal of a subscriber's policy or policies, the subscriber is entitled, within 60 days, to all moneys assigned to the subscriber's savings account, except when such moneys are otherwise allocated by law or

contract, or when such assignment is prohibited by order of the office.

Section 21. Section 629.164, Florida Statutes, is created to read:

629.164 Subscriber distributions.—

(1) Reciprocal insurers may make distributions to subscribers from their subscriber savings accounts.

(2) The subscribers' advisory committee shall have the sole authority to authorize distributions, subject to prior written approval by the office.

(3) Any reciprocal insurer that otherwise authorizes distributions but prohibits subscribers from receiving distributions for a specified period of time, including after initial subscription, must renew the subscriber's policy for that period of time plus 1 additional policy year. This subsection does not prohibit the cancellation or nonrenewal of a policy pursuant to s. 624.4133 or by order of the office.

(4) A reciprocal insurer may return to its subscribers any unused premiums, savings, or credits accruing to their accounts. Such distribution may not unfairly discriminate between classes of risks or policies, or between subscribers, but may vary as to classes of subscribers based on the experience of the classes.

(5) In addition to the option provided in subsection (4), a domestic reciprocal insurer may, upon the prior written approval of the office, pay to its subscribers a portion of

unassigned funds of up to 10 percent of surplus, with distribution limited to 50 percent of net income from the previous calendar year. Such distribution may not unfairly discriminate between classes of risks or policies, or between subscribers, but may vary as to classes of subscribers based on the experience of the classes.

(6) Distributions and other financial arrangements must comply with the requirements of s. 624.347.

Section 22. Section 629.171, Florida Statutes, is amended to read:

629.171 Annual statement.—

(1) The subscribers' advisory committee shall procure an audited annual statement of the accounts and records of the insurer and the attorney in fact. The statement of the insurer must be prepared by an independent auditor at the expense of the reciprocal insurer and must be available for inspection by any subscriber. The statement of the attorney in fact must be prepared by an independent auditor at the expense of the attorney in fact.

(2) ~~(1)~~ The annual statement filing of a reciprocal insurer must ~~shall~~ be submitted ~~made and filed~~ by its attorney in fact.

(3) ~~(2)~~ The audited statement of the attorney in fact must ~~shall~~ be submitted with the annual statement filing of the reciprocal insurer, as required under s. 624.424, and supplemented by such information as may be required by the

office relative to the affairs and transactions of the attorney in fact relating ~~insofar as they relate~~ to the reciprocal insurer.

Section 23. Subsection (1) of section 629.181, Florida Statutes, is amended to read:

629.181 Financial condition; method of determining.—In determining the financial condition of a reciprocal insurer, the office shall apply the following rules:

(1) Subscriber contributions are ~~The surplus deposits of subscribers shall be~~ allowed as assets, except that any premium deposits delinquent for 90 days must ~~shall~~ first be charged against such subscriber contributions. Subscriber contributions may not exceed 2 percent of each individual subscribers' policy premium for a nonassessable reciprocal insurer and 10 percent of each individual subscribers' policy premium for an assessable reciprocal insurer ~~surplus deposit~~.

Section 24. Section 629.201, Florida Statutes, is amended to read:

629.201 Subscribers' advisory committee.—Each domestic reciprocal insurer must have a subscribers' advisory committee representing the interests of the subscribers.

(1) The subscribers' advisory committee of a domestic reciprocal insurer exercising the subscribers' rights must ~~shall~~ be formed in compliance with this section and ~~selected~~ under such rules as the subscribers adopt. Such rules, along with any

amendments, must be approved by the office before becoming effective.

~~(2) Not less than two-thirds of such committee shall be subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.~~

(2)~~(3)~~ The subscribers' advisory committee shall perform all of the following duties:

(a) Supervise the finances of the insurer.~~;~~

(b) Supervise the insurer's operations to such extent as to ensure ~~assure~~ conformity with the subscribers' agreement, ~~and~~ power of attorney, and other governing documents.~~;~~

(c) Hire independent auditors, counsel, and other experts at the expense of the insurer as necessary to fulfill the committee's duties. ~~Procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer; and~~

(d) Exercise any ~~Have such~~ additional powers and functions as may be conferred by the subscribers' agreement.

(3) The initial subscribers' advisory committee must be appointed by the original subscribers or the attorney in fact. Within 6 months after the reciprocal insurer is authorized to transact insurance, at least two-thirds of the committee members must be elected as provided for in subsections (4) and (5).

(4) The subscribers' advisory committee must be composed of subscribers of the reciprocal insurer. At least two-thirds of

the subscribers' advisory committee must be composed of subscribers who are independent of, not employed by, not representing, not selected by, and without any financial interest in the attorney in fact. The independent subscribers must be elected by the subscribers of the reciprocal insurer.

(5) Any rules governing the election of subscribers to the subscribers' advisory committee require all of the following:

(a) An electorate composed exclusively of all subscribers of the reciprocal insurer.

(b) Terms of not more than 5 years.

(c) A process that allows subscribers to nominate other subscribers for election to the subscribers' advisory committee.

(6) If a reciprocal insurer has more than 50 subscribers, the attorney in fact must provide a platform by which subscribers can communicate with each other regarding the subscribers' advisory committee election process.

Section 25. Section 629.271, Florida Statutes, is repealed.

Section 26. Effective upon this act becoming a law, subsections (1) and (2) of section 629.291, Florida Statutes, are amended to read:

629.291 Merger or conversion.—

(1) A reciprocal insurer, upon affirmative vote of not less than two-thirds of its subscribers who vote on such merger or conversion pursuant to due notice, and subject to approval by

the office of the terms therefor, may merge with another reciprocal insurer or be converted to a stock or mutual insurer, to be thereafter governed by the applicable sections of the Florida Insurance Code. However, a domestic stock insurer may not convert to a reciprocal insurer.

(2) A plan to merge a reciprocal insurer with another reciprocal insurer or for conversion of the reciprocal insurer to a stock or mutual insurer must be filed with the office on forms adopted by the commission ~~office~~ and must contain such information as the office reasonably requires to evaluate the transaction.

Section 27. Section 629.301, Florida Statutes, is amended to read:

629.301 Impaired reciprocal insurers.—

(1) If the assets of a domestic reciprocal insurer are at any time insufficient to discharge its liabilities, other than any liability on account of funds contributed by the attorney in fact or others, and to maintain the required surplus, its attorney in fact must immediately forthwith make up the deficiency or levy an assessment upon the subscribers for the amount needed to make up the deficiency, but subject to the limitation set forth in the power of attorney or policy.

(2) If the attorney in fact fails to make up such deficiency or to make the assessment within 30 days after the office orders the attorney in fact ~~him or her~~ to do so, or if

the deficiency is not fully made up within 60 days after the date the assessment was made, the insurer is deemed insolvent and must be proceeded against in the same manner as any other insurer under chapter 631 and the insurance ~~as authorized by this~~ code.

(3) If liquidation of a reciprocal ~~such an~~ insurer is ordered, the receiver must levy ~~an assessment shall be levied~~ upon the subscribers an assessment for such an amount as the receiver determines to be necessary to discharge all liabilities of the insurer. The liabilities must be~~, subject to limits as provided by this chapter, as the office determines to be necessary to discharge all liabilities of the insurer,~~ exclusive of any funds contributed by the attorney in fact or other persons, but inclusive of ~~including~~ the reasonable cost of the liquidation. The assessment is subject to any limits set forth in the power of attorney, the subscribers' agreement, the policy, or this chapter.

Section 28. Section 629.401, Florida Statutes, is repealed.

Section 29. Section 629.520, Florida Statutes, is repealed.

Section 30. Section 629.56, Florida Statutes, is created to read:

629.56 Unearned premium reserves.—A reciprocal insurer must maintain an unearned premium reserve at all times and as

required under s. 625.051.

Section 31. Reciprocal insurers licensed before July 1, 2025, have until July 1, 2026, to comply with the changes made to subscribers' advisory committees in s. 629.201, Florida Statutes. Reciprocal insurers licensed before July 1, 2025, have until July 1, 2027, to comply with the changes made to unearned premium reserve requirements imposed under s. 629.56, Florida Statutes.

Section 32. Except as otherwise expressly provided in this act and except for this section, which shall take effect upon this act becoming a law, this act shall take effect July 1, 2025.